

SHELBY COUNTY, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2014

Shelby County
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Shelby County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger Schmitz	Board of Supervisors	January, 2015
Steve Kenkel	Board of Supervisors	January, 2017
Charles Parkhurst	Board of Supervisors	January, 2017
Marsha Carter	County Auditor	January, 2017
Carolyn Blum	County Treasurer	January, 2015
Linda Fahn	County Recorder	January, 2015
Mark Hervey	County Sheriff	January, 2017
Marcus Gross	County Attorney	January, 2015
Tony Buman	County Assessor	January, 2016

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Shelby County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Iowa as of and for the year ended June 30, 2014, and related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Officials of Shelby County

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinions

The financial statements do not include an estimate of an Other Post Employment Benefits (OPEB) liability for an implicit health insurance premium rate subsidy resulting from the legal requirement to allow employees retiring after age 55 to remain on the County's healthcare plan until age 65. Accounting principles generally accepted in the United States of America require that any material liability resulting from this OPEB requirement be included in the financial statements (Note 10).

Qualified Opinions

In our opinion, except for the effect of not including an estimated OPEB liability for the implicit health insurance premium rate subsidy, as discussed in the previous section, the financial statements referred to above present fairly in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Shelby County as of June 30, 2014 and the respective changes in financial position, and cash flows where applicable for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis and the Budgetary Comparison Information on pages 3 through 3f and on pages 31 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Officials of Shelby County

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shelby County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2013 (which are not presented herein) and expressed unmodified and qualified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2009 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2015 on our consideration of Shelby County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Shelby County's internal control over financial reporting and compliance.

Gmeinhart, Ben, Kuhn & Co. P.C.

Atlantic, Iowa
January 14, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Shelby County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 13.8%, or approximately \$2,085,200, from Fiscal 2013 to Fiscal 2014. Property and other County Taxes and Local Option Sales Tax increased approximately \$206,800. Operating Grants and Contributions increased approximately \$147,400, and Capital Grants and Contributions decreased by approximately \$2,523,200.
- Program expenses of the County's governmental activities were 6.7%, or approximately \$744,800, more in Fiscal 2014 than in Fiscal 2013. Public Safety expenses increased \$381,000, Government Services to Resident increased \$153,000, and Administration increased \$120,000. All other service areas recorded small changes: Physical Health and Social Services - \$67,000; Mental Health - \$49,300; County Environment and Education - \$(17,500); Roads and Transportation - \$33,200; and Interest on Long-Term Debt - \$(41,200).
- The County's net position increased 5.1%, or approximately \$1,178,000, from June 30, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Shelby County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Shelby County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Shelby County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the County's assets, liabilities, and deferred inflows of resources, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a statement of net position and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 surcharge, emergency management services, empowerment and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Shelby County's combined net position increased from \$23.14 million to \$24.32 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)			
	June 30,		
	2013	2014	
Current and Other Assets	\$ 10,254	\$ 10,868	
Capital Assets	19,916	21,020	
Total Assets	30,170	31,888	
Long-Term Liabilities	565	590	
Other Liabilities	403	1,041	
Total Liabilities	968	1,631	
Deferred Inflows of Revenues	6,064	5,941	
Net Position			
Net Investment in Capital Assets	19,916	21,020	
Restricted	2,085	1,989	
Unrestricted	1,137	1,307	
Total Net Position	\$ 23,138	\$ 24,316	

Net position of Shelby County's governmental activities increased approximately \$1,178,000, or 5.1% during the year. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets, since they are unavailable for future spending. Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from approximately \$1,136,800 at June 30, 2013 to approximately \$1,307,100 at the end of this year, an increase of 15.0%

This increase of approximately \$170,300 in unrestricted net position was a result of the increase in the general fund balance. The County's investment in capital assets, net of related debt, increased by approximately \$1,103,300 from the prior year. Additions to the County's capital assets totaled approximately \$2,455,700. Depreciation expense totaled approximately \$1,291,700 for FY 2014.

Changes in Net Position of Governmental Activities (Expressed in Thousands)			
		Year Ended June 30,	
		2013	2014
Revenues			
Program Revenues:			
Charges for Services	\$	436	\$ 509
Operating Grants, Contributions, and Restricted Interest		4,198	4,346
Capital Grants, Contributions, and Restricted Interest		3,876	1,353
General Revenues:			
Property and Other County Tax		6,019	6,226
Tax Increment Financing		163	153
Penalty and Interest on Property Tax		33	34
State Tax Credits		301	331
Unrestricted Investment Earnings		101	90
Total Revenues		15,127	13,042
Program Expenses			
Public Safety and Legal Services		1,748	2,129
Physical Health and Social Services		552	619
Mental Health		1,425	1,475
County Environment and Education		440	422
Roads and Transportation		5,080	5,113
Governmental Services to Residents		298	451
Administration		1,535	1,655
Interest on Long-Term Debt		41	--
Total Expenses		11,119	11,864
Change in Net Position		4,008	1,178
Net Position, Beginning of Year		19,130	23,138
Net Position, End of Year	\$	23,138	\$ 24,316

Revenues of the County's governmental activities decreased 13.8%, or approximately \$2,085,200, from Fiscal 2013 to Fiscal 2014. Property and other County Taxes increased approximately \$206,800. Operating Grants and Contributions increased approximately \$147,400, and Capital Grants and Contributions decreased by \$2,523,200.

Fiscal 2014 saw an increase in total taxable valuation of \$29,465,997, which is a 4.19% increase, with the total tax asking increasing by \$ 267,641, or 4.6%.

The cost of all governmental activities this year was \$11.9 million, an increase of \$0.8 million when compared to last year. However, as shown in the Statement of Activities on page 6, the amount taxpayers ultimately financed for these activities was \$5.66 million because some of the cost was paid by those directly benefited from the programs (\$509,200) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,698,600). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased from approximately \$8,510,600 in 2013 to \$6,207,800 in 2014, principally due to the decrease in Capital Grants, Contributions, and Restricted Interest. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$6,834,600 in property and local option taxes (some of which could only be used for certain programs) and other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Shelby County completed the year, its governmental funds reported a combined fund balance of \$3.60 million, an increase of approximately \$52,200 from last year's total of \$3.55 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund, the operating fund for Shelby County, ended Fiscal Year 2014 with a fund balance totaling \$1,428,965. This was an increase from Fiscal Year 2013 of \$168,475.
- The Mental Health Fund balance at year end decreased by \$134,544 from the prior year. The Mental Health fund ended Fiscal Year 2014 with a balance of \$312,623.
- The Rural Services Fund ended Fiscal Year 2014 with a fund balance of \$202,460. This was an increase from Fiscal Year 2013 of \$1,354.
- The Secondary Roads Fund ended Fiscal Year 2014 with a fund balance of \$1,129,339, up \$36,362 when compared to the ending balance for Fiscal Year 2013. The County continues to work for Federal and State grants and shared funding projects, such as FEMA, EWP, etc., to help offset the maintenance costs to local taxpayers.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following a required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Shelby County amended its budget May 6, 2014 by \$631,390. The majority of the budget increases were in the Public Safety and Legal Services (\$69,000); Roads and Transportation (\$300,000), Physical Health and Social Services (\$55,000), County Environment and Education (\$30,000), and Capital Projects (\$104,000) functions.

The County's total receipts of \$11,913,521 were \$609,437 more than budgeted. The County's total disbursements of \$11,207,715 were \$1,126,593 less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, Shelby County had approximately \$19.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is an approximate \$3.4 million increase (including additions and deletions) from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)			
	June 30		
	2013	2014	
Land	\$ 331	\$ 331	
Construction in Progress	419	568	
Buildings and Improvements	2,322	2,366	
Equipment and Vehicles	2,763	2,922	
Infrastructure	14,081	14,833	
Total	\$ 19,916	\$ 21,020	

The County had depreciation expense of \$1,291,682 in Fiscal 2014 and total accumulated depreciation of \$10,632,234 at June 30, 2014. The County's Fiscal Year 2014 capital budget included \$810,000 for capital projects, principally for bridge construction. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2014, Shelby County had \$ - 0 - in general obligation notes outstanding, the same as June 30, 2013.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the 1-1-2012 assessed value of all taxable property in the County. Shelby County's constitutional debt limit is approximately \$38.5 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Shelby County's elected and appointed officials and citizens considered many factors when setting the Fiscal Year 2014 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. In December of 2013, the County's unemployment was at 3.0% versus 3.6% a year ago. This compared with the State's unemployment rate of 4.2% and the national rate of 6.7%.

The union contracts expired June 30, 2014. The County was able to negotiate with all three unions for a 2.25% increase for FY2015 and a 2.5% increase for FY2016, with the employees contributing toward the dependent portion of their health insurance premium: 12% in FY2015 and 15% in FY2016. The Non-Union employees will receive the same percentage increases, but will be eligible for an additional 1% increase each year based on a satisfactory Performance Evaluation. Along with that, the Non-Union employees will be contributing 15% in FY2015 and 20% in FY2016 towards the dependent portion of their health insurance premiums.

All the different variables were taken into account when adopting the Fiscal Year 2015 Budget. Property taxes were not increased this year to meet the County's operational expenses. The County's tax asking over the last 10 years has averaged +2.4%. Not including property tax revenue, budgeted revenues for the General and Rural Services Funds remained approximately the same. Expected revenues from Local Option Sales Tax, Licenses & Permits, Charges for Services and Use of Money and Property were estimated at the same level. As the County continues to try to hold the line on spending, budgeted expenditures in the General and Rural Services Funds stayed level, including increases in wages and benefits. In FY2011 and FY2012, the transfer to Secondary Roads was frozen at FY2010 level. For FY2013 and FY2014 the County increased that transfer to keep up with the necessary maintenance, and are now back up to the maximum transfer allowed by law. There were no notable changes in other funds. The County is still deficit spending out of the General Fund. Over the next few years the County will work towards stabilizing that reserve to enable the County to cover any unforeseen expenditures. The final Fiscal Year 2015 Budget was adopted with a total tax rate decrease of \$0.41 per \$1,000 of taxable valuation, due to the valuation increase, and a total tax asking increase of \$0.

The County is constantly working on our Disaster Preparedness Plan. During FY2013, a room in the Emergency Operations Center, which is a secure area in the basement of the 911 Center, was remodeled/rearranged to hold all the Emergency Management Agency's computer servers and radio equipment. As part of that project, extra shelf space was put in place to hold all the computer servers that were in the I.T. room in the basement of the Courthouse. That move and server update was completed in July of 2014 at a cost of approximately \$250,000.

The County continues to work on our declining bridge system, using whatever State and Federal funding is available. In 2014, five miles of asphalt overlay on Linden Road was completed with a 30' x 55' bridge replacement on Hwy F32 at a total cost of approximately \$1,000,000.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Shelby County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marsha J. Carter, Shelby County Auditor, 612 Court St., Harlan, Iowa 51537-0650.

Shelby County
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,821,680
Receivables:	
Property tax:	
Delinquent	961
Succeeding year	5,941,000
Interest and penalty on property tax	1,170
Accounts	20,934
Accrued interest	194
Due from other governments	150,296
Prepaid insurance	42,768
Inventories	888,799
Capital assets (net of accumulated depreciation)	21,019,786
Total assets	<u>31,887,588</u>
Liabilities	
Accounts payable	592,552
Salaries and benefits payable	172,661
Due to other funds	243,344
Due to other governments	32,367
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	589,758
Total liabilities	<u>1,630,682</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	<u>5,941,000</u>

(continued next page)

Shelby County
Statement of Net Position - continued
June 30, 2014

	<u>Governmental Activities</u>
Net Position	
Net investment in capital assets	\$ 21,019,786
Restricted for:	
Rural services purposes	187,127
Mental health purposes	290,797
Secondary roads purposes	985,126
Other purposes	525,970
Unrestricted	<u>1,307,100</u>
Total net position	<u>\$ 24,315,906</u>

See notes to financial statements.

Shelby County
Statement of Activities
Year ended June 30, 2014

		<u>Program Revenues</u>
	<u>Expenses</u>	<u>Charges for Service</u>
Functions/Programs:		
Governmental activities:		
Public safety and legal services	\$ 2,128,859	\$ 57,978
Physical health and social services	619,466	23,833
Mental health	1,474,634	--
County environment and education	422,226	135,041
Roads and transportation	5,112,782	--
Governmental services to residents	451,463	292,381
Administrative services	<u>1,655,035</u>	<u>--</u>
Total	<u>\$ 11,864,465</u>	<u>\$ 509,233</u>
General Revenues:		
Property and other county tax levied for:		
General purposes		
Penalty and interest on property tax		
Local option sales tax		
Tax increment financing		
State tax credits		
Unrestricted investment earnings		
Total general revenues		
Change in net position		
Net position beginning of year		
Net position end of year		

See notes to financial statements.

<u>Program Revenues</u>		
<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
\$ 67,089	\$ --	\$ (2,003,792)
312,739	--	(282,894)
744,270	--	(730,364)
104,290	--	(182,895)
3,007,156	1,352,825	(752,801)
44,252	--	(114,830)
<u>65,957</u>	<u>--</u>	<u>(1,589,078)</u>
<u>\$ 4,345,753</u>	<u>\$ 1,352,825</u>	<u>(5,656,654)</u>

5,720,369
 33,586
 505,491
 153,444
 331,474
90,246
6,834,610
 1,177,956
23,137,950
\$ 24,315,906

Shelby County
Balance Sheet
Governmental Funds

June 30, 2014

		Special Revenue	
	General	Rural Services	Secondary Roads
Assets			
Cash and pooled investments	\$ 1,834,535	\$ 169,982	\$ 706,632
Receivables:			
Property tax:			
Delinquent	433	57	--
Succeeding year	3,687,000	1,664,000	--
Interest and penalty on property tax	1,170	--	--
Accounts	11,874	--	2,700
Accrued interest	194	--	--
Due from other funds	25,378	--	23,698
Due from other governments	47,115	32,478	32,478
Inventories	--	--	888,799
Prepaid insurance	42,768	--	--
	<u>42,768</u>	<u>--</u>	<u>--</u>
Total assets	<u>\$ 5,650,467</u>	<u>\$ 1,866,517</u>	<u>\$ 1,654,307</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 44,800	\$ --	\$ 291,932
Salaries and benefits payable	74,839	--	82,882
Due to other funds	292,067	--	--
Due to other governments	20,077	--	2,086
Compensated absences	101,116	--	148,068
Total liabilities	<u>532,899</u>	<u>--</u>	<u>524,968</u>
Deferred Inflows of Resources:			
Unavailable revenues:			
Succeeding year property tax	3,687,000	1,664,000	--
Other	1,603	57	--
Total deferred inflows of resources	<u>3,688,603</u>	<u>1,664,057</u>	<u>--</u>

(continued next page)

<u>Special Revenue Mental Health</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 369,380	\$ 741,151	\$ 3,821,680
66	405	961
559,000	31,000	5,941,000
--	--	1,170
2,240	4,120	20,934
--	--	194
--	253	49,329
24,847	13,378	150,296
--	--	888,799
--	--	42,768
<u>\$ 955,533</u>	<u>\$ 790,307</u>	<u>\$ 10,917,131</u>
\$ 47,350	\$ 208,470	\$ 592,552
3,932	11,008	172,661
57	549	292,673
9,829	375	32,367
22,676	12,935	284,795
<u>83,844</u>	<u>233,337</u>	<u>1,375,048</u>
559,000	31,000	5,941,000
66	405	2,131
<u>559,066</u>	<u>31,405</u>	<u>5,943,131</u>

Shelby County
Balance Sheet
Governmental Funds - continued

June 30, 2014

	<u>General</u>	<u>Special Revenue</u> <u>Rural</u> <u>Services</u>	<u>Secondary</u> <u>Roads</u>
Fund balances:			
Nonspendable:			
Inventories	\$ --	\$ --	\$ 888,799
Prepaid insurance	42,768	--	--
Restricted for:			
Rural services purposes	--	202,460	--
Secondary roads purposes	--	--	240,540
Mental health purposes	--	--	--
Capital projects purposes	--	--	--
Other purposes	--	--	--
Unassigned	<u>1,386,197</u>	<u>--</u>	<u>--</u>
Total fund balances	<u>1,428,965</u>	<u>202,460</u>	<u>1,129,339</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,650,467</u>	<u>\$ 1,866,517</u>	<u>\$ 1,654,307</u>

See notes to financial statements.

<u>Special Revenue Mental Health</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ --	\$ --	\$ 888,799
--	--	42,768
--	--	202,460
--	--	240,540
312,623	--	312,623
--	259,053	259,053
--	266,512	266,512
--	--	1,386,197
<u>312,623</u>	<u>525,565</u>	<u>3,598,952</u>
 <u>\$ 955,533</u>	 <u>\$ 790,307</u>	 <u>\$ 10,917,131</u>

Shelby County

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position

June 30, 2014

Total governmental fund balances (page 8)	\$ 3,598,952
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$31,652,020 and the accumulated depreciation is \$10,632,234.	21,019,786
Certain assets are not available to pay for current period expenditures and, therefore, are recognized as deferred inflows in the governmental funds.	2,131
Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(304,963)</u>
Net position of governmental activities (page 5)	<u>\$ 24,315,906</u>

See notes to financial statements.

Shelby County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

	<u>General</u>	<u>Special Revenue</u> <u>Rural</u> <u>Services</u>	<u>Secondary</u> <u>Roads</u>
Revenues:			
Property and other County tax	\$ 3,567,285	\$ 1,613,574	\$ --
Local option sales tax	168,497	168,497	168,497
Interest and penalty on property tax	33,500	--	--
Intergovernmental	456,552	146,776	2,903,788
Licenses and permits	--	--	4,075
Charges for service	301,414	--	--
Use of money and property	90,246	--	--
Miscellaneous	61,633	--	160,000
Total revenues	<u>4,679,127</u>	<u>1,928,847</u>	<u>3,236,360</u>
Expenditures:			
Operating:			
Public safety and legal services	2,137,814	--	--
Physical health and social services	349,289	--	--
Mental health	--	--	--
County environment and education	31,959	138,860	--
Roads and transportation	--	--	4,835,398
Governmental services to residents	427,672	258	--
Administration	1,068,644	--	--
Capital projects	--	--	55,414
Total expenditures	<u>4,015,378</u>	<u>139,118</u>	<u>4,890,812</u>
Excess (deficiency) of revenues over (under) expenditures	<u>663,749</u>	<u>1,789,729</u>	<u>(1,654,452)</u>

(continued next page)

<u>Special Revenue Mental Health</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 539,675	\$ 153,444	\$ 5,873,978
--	--	505,491
--	--	33,500
765,109	92,431	4,364,656
--	235,279	239,354
--	56,688	358,102
--	18	90,264
9,357	54,047	285,037
<u>1,314,141</u>	<u>591,907</u>	<u>11,750,382</u>
--	11,257	2,149,071
--	286,408	635,697
1,457,685	9,689	1,467,374
--	243,779	414,598
--	--	4,835,398
--	7,077	435,007
--	--	1,068,644
--	637,016	692,430
<u>1,457,685</u>	<u>1,195,226</u>	<u>11,698,219</u>
<u>(143,544)</u>	<u>(603,319)</u>	<u>52,163</u>

Shelby County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds - continued

Year ended June 30, 2014

	<u>General</u>	<u>Special Revenue</u> <u>Rural</u> <u>Services</u>	<u>Secondary</u> <u>Roads</u>
Other financing sources (uses):			
Operating transfers in	\$ 200,320	\$ --	\$ 1,690,814
Operating transfers out	(695,594)	(1,788,375)	--
Total other financing sources (uses)	<u>(495,274)</u>	<u>(1,788,375)</u>	<u>1,690,814</u>
Change in fund balances	168,475	1,354	36,362
Fund balances beginning of year	<u>1,260,490</u>	<u>201,106</u>	<u>1,092,977</u>
Fund balances end of year	<u>\$ 1,428,965</u>	<u>\$ 202,460</u>	<u>\$ 1,129,339</u>

See notes to financial statements.

<u>Special Revenue Mental Health</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 9,000	\$ 592,155	\$ 2,492,289
<u>--</u>	<u>(8,320)</u>	<u>(2,492,289)</u>
<u>9,000</u>	<u>583,835</u>	<u>--</u>
(134,544)	(19,484)	52,163
<u>447,167</u>	<u>545,049</u>	<u>3,546,789</u>
<u>\$ 312,623</u>	<u>\$ 525,565</u>	<u>\$ 3,598,952</u>

Shelby County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds to the Statement of Activities

Year ended June 30, 2014

Change in fund balances - Total governmental funds (page 11)	\$ 52,163
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Depreciation expense exceeded capital outlays in the current year as follows:	
Expenditures for capital assets	\$ 1,102,859
Capital assets contributed by the Iowa Department of Transportation	1,352,825
Depreciation expense	(1,291,682) 1,164,002
In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.	
Book value of disposed assets	(60,707)
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows in the governmental funds.	
Change in deferred inflows of property tax revenues	(79)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:	
Compensated absences	<u>22,577</u>
Change in net position of governmental activities (page 6)	<u>\$ 1,177,956</u>

See notes to financial statements.

Shelby County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014

Assets

Cash and pooled investments:

County Treasurer	\$ 1,659,047
Other County Officials	49,627

Receivables:

Property tax:

Delinquent	2,036
Succeeding year	15,336,000

Accounts	2,848
----------	-------

Special assessments	7,866
---------------------	-------

Due from other funds	288,587
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Due from other governments	54,000
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Total assets	<u>17,400,011</u>
--------------	-------------------

Liabilities

Accounts payable	148,005
------------------	---------

Salaries and benefits payable	18,806
-------------------------------	--------

Due to other funds	45,243
--------------------	--------

Due to other governments	17,085,588
--------------------------	------------

Trusts payable	10,707
----------------	--------

Compensated absences	91,662
----------------------	--------

Total liabilities	<u>17,400,011</u>
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Net position	<u>\$ --</u>
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See notes to financial statements.

Shelby County
Notes to Financial Statements

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Shelby County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Shelby County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission, County Joint E-911 Service Board, Harrison/Monona/Shelby County Empowerment Area and Shelby County Area Solid Waste Agency. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: West Central Iowa Sheltered Workshop (WESCO), Southwest Iowa Planning Council (SWIPCO) and Southwest Iowa Juvenile Detention Center.

Shelby County
Notes to Financial Statements
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

Shelby County
Notes to Financial Statements
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities, and developmental disabilities services.

Additionally, the County reports the following funds:

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Shelby County
Notes to Financial Statements
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications - committed, assigned and then unassigned fund balances.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Shelby County
Notes to Financial Statements

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2013.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Shelby County

Notes to Financial Statements

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets - Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings, and improvements	25,000
Intangibles	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 - 50
Building improvements	20 - 50
Land improvements	10 - 50
Infrastructure	10 - 50
Intangibles	5 - 20
Equipment and vehicles	3 - 20

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Shelby County
Notes to Financial Statements
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours, including employee benefits, for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for amounts paid to employees within sixty days after year end. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Secondary Roads and Conservation Funds.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized as revenue until the year for which it is levied.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

Shelby County
Notes to Financial Statements
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the roads and transportation function and disbursements in certain departments exceeded the amounts appropriated.

F. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68 "*Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27.*" This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's proportionate share of the Iowa Public Employees Retirement System pension plan.

NOTE 2 - CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Interest Rate Risk - The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit Risk - The County had no investments with credit risk.

Concentration of Credit Risk - The County places no limit on the amount which may be invested in any one issuer.

Shelby County
Notes to Financial Statements
June 30, 2014

NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency:	
	County Sheriff	\$ 8,413
	County Recorder	<u>16,965</u>
		25,378
Special Revenue:		
Secondary Roads	General	3,653
	Special Revenue:	
	Mental Health	57
	Environmental Health	549
	Agency:	
	Emergency Management	
	Services	335
	Sanitary Disposal District	<u>19,104</u>
		23,698
Special Revenue:	Agency:	
Conservation	County Recorder	80
Agency:	Agency:	
Recorders' Electronic		
Transfer Fee	County Recorder	173
Agency:		
Emergency Management	General	288,414
Services		
Special Revenue:	Agency:	
County Recorder's		
Records Management	County Recorder	<u>173</u>
Total		<u>\$ 337,916</u>

These balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Shelby County
Notes to Financial Statements
June 30, 2014

NOTE 4 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Debt Service	\$ 320
Special Revenue: Mental Health	General	9,000
Special Revenue: Conservation	General	175,000
Special Revenue: Secondary Roads	General	122,439
Capital Projects	General	335,216
Special Revenue: Environmental Health	General	53,939
General	Special Revenue: Rural Services	200,000
Special Revenue: Secondary Road	Special Revenue: Rural Services	1,568,375
Special Revenue: Flood & Erosion	Special Revenue: Rural Services	20,000
Capital Projects	Special Revenue: Environmental Health	8,000
		<u>\$ 2,492,289</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Shelby County
Notes to Financial Statements
June 30, 2014

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 330,775	\$ --	\$ --	\$ 330,775
Construction in progress	419,095	1,678,489	1,529,648	567,936
Total capital assets not being depreciated/ amortized	<u>749,870</u>	<u>1,678,489</u>	<u>1,529,648</u>	<u>898,711</u>
Capital assets being depreciated/amortized:				
Buildings	4,145,871	154,453	--	4,300,324
Land improvements	63,667	--	--	63,667
Equipment and vehicles	7,748,210	799,565	313,114	8,234,661
Infrastructure, road network	16,801,832	1,352,825	--	18,154,657
Total capital assets being depreciated/amortized	<u>28,759,580</u>	<u>2,306,843</u>	<u>313,114</u>	<u>30,753,309</u>
Less accumulated depreciation/ amortization for:				
Buildings	1,877,523	107,465	--	1,984,988
Land improvements	9,550	3,183	--	12,733
Equipment and vehicles	4,985,418	579,537	252,407	5,312,548
Infrastructure, road network	2,720,468	601,497	--	3,321,965
Total accumulated depreciation/amortization	<u>9,592,959</u>	<u>1,291,682</u>	<u>252,407</u>	<u>10,632,234</u>
Total capital assets being depreciated/amortized, net	<u>19,166,621</u>	<u>1,015,161</u>	<u>60,707</u>	<u>20,121,075</u>
Governmental activities capital assets, net	<u>\$ 19,916,491</u>	<u>\$ 2,693,650</u>	<u>\$ 1,590,355</u>	<u>\$ 21,019,786</u>

Shelby County
Notes to Financial Statements

June 30, 2014

NOTE 5 - CAPITAL ASSETS - continued

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 79,806
Mental health	8,161
County environment and education	20,800
Roads and transportation	985,156
Governmental services to residents	15,004
Administrative services	<u>182,755</u>

Total depreciation/amortization expense - governmental activities	<u>\$1,291,682</u>
--	--------------------

NOTE 6 - DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Services	\$ 20,077
Special Revenue:		
Secondary Roads		2,086
Mental Health		9,829
Conservation		291
Environmental Health		<u>84</u>
		<u>12,290</u>
Total for governmental funds		<u>\$ 32,367</u>
Agency:		
County Assessor	Collections	\$ 559,724
Schools		8,749,572
Community Colleges		864,597
Corporations		4,340,586
Townships		351,361
Auto License and Use Tax		344,159
County Hospital		895,608
E911 Commission		302,437
All Other		<u>677,544</u>
Total for agency funds		<u>\$ 17,085,588</u>

Shelby County
Notes to Financial Statements
June 30, 2014

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Compensated Absences	Total
Balance beginning of year	\$ 564,917	\$ 564,917
Increases	24,841	24,841
Decreases	<u>--</u>	<u>--</u>
Balance end of year	<u>\$ 589,758</u>	<u>\$ 589,758</u>
Due within one year	<u>\$ 589,758</u>	<u>\$ 589,758</u>

NOTE 8 - PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were approximately \$358,000, \$345,000, and \$313,000, respectively, equal to the required contributions for each year.

Shelby County
Notes to Financial Statements
June 30, 2014

NOTE 9 - RISK MANAGEMENT

Shelby County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

Shelby County
Notes to Financial Statements

June 30, 2014

NOTE 9 - RISK MANAGEMENT - Continued

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2014 were approximately \$84,800.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with the Shelby County Care Facility and for employee blanket bond, and participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for Workman's Compensation insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Shelby County
Notes to Financial Statements
June 30, 2014

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The County operates a single-employer health benefit plan which provides medical, prescription drug, dental, and vision benefits for employees, retirees, and their spouses. There are 71 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical, prescription drug, dental, and vision benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy: The contribution requirements of plan members are established and may be amended by the County. The County currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the County and plan members are \$597 for single coverage and \$1,337 for family coverage. For the year ended June 30, 2014, the County contributed \$1,027,504 and plan members eligible for benefits contributed \$47,004 to the plan.

Net OPEB Obligation: Management of the County considers any OPEB obligation, which may exist, to be immaterial. Therefore the County has elected to not obtain an actuarial evaluation of the OPEB liability.

Generally accepted accounting principles, established under GASB Statement No. 45, require that an actuarial or alternative computation of a liability be completed. The independent auditor's report regarding the financial statements has been qualified as a result of not obtaining the required evaluation and not recording any potential material OPEB liability.

NOTE 11 - COMMITMENT AND CONTINGENCY

Construction

The County has entered into contracts totaling approximately \$1,611,000, primarily for bridge replacement and repairs and a server upgrade to be completed during fiscal year 2015. As of June 30, 2014, the County has incurred \$567,936 on these projects. The projects will be financed with existing funds.

Subsequent Events

The County has evaluated all subsequent events through January 14, 2015, the date the financial statements were available to be issued.

Shelby County
Notes to Financial Statements
June 30, 2014

NOTE 12 - EARLY CHILDHOOD IOWA AREA BOARD

Shelby County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2014 is as follows:

	Early Childhood Fund (Federal)	Early Childhood Fund (State)	School Ready Fund	Total
Revenues:				
State grants:				
Early Childhood	\$ --	\$ 33,934	\$ --	\$ 33,934
Family support and parent education	--	--	170,216	170,216
Preschool support for low-income families	--	--	74,737	74,737
Quality improvement	--	--	54,425	54,425
Allocation for administration	--	1,786	10,034	11,820
Other grant programs	--	--	17,708	17,708
Total state grants	--	35,720	327,120	362,840
Interest on investments	2	18	171	191
Total revenues	2	35,738	327,291	363,031
Expenditures:				
Program services:				
Early Childhood	3,480	29,571	--	33,051
Family support and parent education	--	--	169,317	169,317
Preschool support for low-income families	--	--	62,148	62,148
Quality improvement	--	--	48,006	48,006
Other program services	--	--	18,025	18,025
Total program services	3,480	29,571	297,496	330,547
Administration	208	1,360	11,219	12,787
Total expenditures	3,688	30,931	308,715	343,334
Net change in fund balance	(3,686)	4,807	18,576	19,697
Fund balance beginning of year	3,686	--	29,932	33,618
Fund balance end of year	\$ --	\$ 4,807	\$ 48,508	\$ 53,315

* * *

REQUIRED SUPPLEMENTARY INFORMATION

Shelby County
 Budgetary Comparison Schedule of Receipts, Disbursements and
 Changes in Balances - Budget and Actual (Cash Basis)
 All Governmental Funds
 Required Supplementary Information

Year ended June 30, 2014

	<u>Actual</u>	<u>Less Funds not Required to be Budgeted</u>	<u>Net</u>
Receipts:			
Property and other County tax	\$ 6,365,804	\$ --	\$ 6,365,804
Interest and penalty on property tax	33,584	--	33,584
Intergovernmental	4,537,350	--	4,537,350
Licenses and permits	241,101	--	241,101
Charges for service	370,576	--	370,576
Use of money and property	93,063	--	93,063
Miscellaneous	272,043	--	272,043
Total receipts	<u>11,913,521</u>	<u>--</u>	<u>11,913,521</u>
Disbursements:			
Public safety and legal services	1,800,159	--	1,800,159
Physical health and social services	587,240	--	587,240
Mental health	1,443,125	--	1,443,125
County environment and education	410,971	--	410,971
Roads and transportation	4,876,866	--	4,876,866
Governmental services to residents	435,495	--	435,495
Administration	1,138,040	--	1,138,040
Non-program	--	--	--
Debt service	--	--	--
Capital projects	515,819	--	515,819
Total disbursements	<u>11,207,715</u>	<u>--</u>	<u>11,207,715</u>
Excess (deficiency) of receipts over (under) disbursements	705,806	--	705,806
Balance beginning of year	<u>3,115,874</u>	<u>--</u>	<u>3,115,874</u>
Balance end of year	<u>\$ 3,821,680</u>	<u>\$ --</u>	<u>\$ 3,821,680</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
\$ 6,432,877	\$ 6,432,877	\$ (67,073)
30,000	30,000	3,584
4,058,123	4,058,123	479,227
237,900	237,900	3,201
293,365	293,365	77,211
90,005	90,005	3,058
161,814	161,814	110,229
<u>11,304,084</u>	<u>11,304,084</u>	<u>609,437</u>
2,139,512	2,208,512	408,353
631,942	686,942	99,702
1,539,889	1,539,889	96,764
433,629	463,629	52,658
4,565,164	4,865,164	(11,702)
425,347	458,737	23,242
1,260,111	1,260,111	122,071
11,000	51,000	51,000
133,824	133,824	133,824
562,500	666,500	150,681
<u>11,702,918</u>	<u>12,334,308</u>	<u>1,126,593</u>
(398,834)	(1,030,224)	1,736,030
<u>2,728,976</u>	<u>3,114,190</u>	<u>1,684</u>
<u>\$ 2,330,142</u>	<u>\$ 2,083,966</u>	<u>\$ 1,737,714</u>

Shelby County

Budgetary Comparison Schedule -Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 11,913,521	\$ (163,139)	\$ 11,750,382
Expenditures	<u>11,207,715</u>	<u>490,504</u>	<u>11,698,219</u>
Net	705,806	(653,643)	52,163
Beginning fund balances	<u>3,115,874</u>	<u>430,915</u>	<u>3,546,789</u>
Ending fund balances	<u>\$ 3,821,680</u>	<u>\$ (222,728)</u>	<u>\$ 3,598,952</u>

See accompanying independent auditor's report.

Shelby County

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$631,390. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the roads and transportation function and disbursements in certain departments exceeded the amounts appropriated.

SUPPLEMENTARY INFORMATION

Shelby County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	Special Revenue			
	County Recorder's Records Management	Recorder's Electronic Transaction Fee	Conservation	Resource Enhancement and Protection
Assets				
Cash and pooled investments	\$ 1,587	\$ 823	\$ 25,656	\$ 23,703
Receivables:				
Accounts receivable	--	--	--	--
Property Tax:				
Delinquent	--	--	--	--
Succeeding year	--	--	--	--
Due from other funds	173	--	80	--
Due from other governments	--	--	--	--
Total assets	<u>\$ 1,760</u>	<u>\$ 823</u>	<u>\$ 25,736</u>	<u>\$ 23,703</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ --	\$ --	\$ 22,167	\$ --
Salaries and benefits payable	--	--	4,090	--
Due to other funds	--	--	--	--
Due to other governments	--	--	291	--
Compensated absences	--	--	12,935	--
Total liabilities	<u>--</u>	<u>--</u>	<u>39,483</u>	<u>--</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	--	--	--	--
Other	--	--	--	--
Total deferred inflows of resources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balances:				
Restricted for:				
Other purposes	<u>1,760</u>	<u>823</u>	<u>(13,747)</u>	<u>23,703</u>
Total fund balances	<u>1,760</u>	<u>823</u>	<u>(13,747)</u>	<u>23,703</u>
Total liabilities and fund balances	<u>\$ 1,760</u>	<u>\$ 823</u>	<u>\$ 25,736</u>	<u>\$ 23,703</u>

(continued next page)

Special Revenue					
<u>Drug Forfeiture</u>	<u>Commissary</u>	<u>Flood and Erosion</u>	<u>Tax Increment Financing</u>	<u>Case Management</u>	<u>Environmental Health</u>
\$ 9,989	\$ 1,257	\$ 30,406	\$ 153,444	\$ 16,797	\$ 36,110
--	--	--	--	4,120	--
--	--	--	405	--	--
--	--	--	31,000	--	--
--	--	--	--	--	--
--	1,018	--	--	12,360	--
<u>\$ 9,989</u>	<u>\$ 2,275</u>	<u>\$ 30,406</u>	<u>\$ 184,849</u>	<u>\$ 33,277</u>	<u>\$ 36,110</u>
\$ --	\$ 232	\$ --	\$ --	\$ 2,771	\$ 974
--	--	--	--	6,918	--
--	--	--	--	--	549
--	--	--	--	--	84
--	--	--	--	--	--
--	232	--	--	9,689	1,607
--	--	--	31,000	--	--
--	--	--	405	--	--
--	--	--	31,405	--	--
9,989	2,043	30,406	153,444	23,588	34,503
9,989	2,043	30,406	153,444	23,588	34,503
<u>\$ 9,989</u>	<u>\$ 2,275</u>	<u>\$ 30,406</u>	<u>\$ 184,849</u>	<u>\$ 33,277</u>	<u>\$ 36,110</u>

Shelby County
Combining Balance Sheet - Continued
Nonmajor Governmental Funds

June 30, 2014

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ --	\$ 441,379	\$ 741,151
Receivables:			
Accounts receivable	--	--	4,120
Property tax:			
Delinquent	--	--	405
Succeeding year	--	--	31,000
Due from other funds	--	--	253
Due from other governments	--	--	13,378
Total assets	<u>\$ --</u>	<u>\$ 441,379</u>	<u>\$ 790,307</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ --	\$ 182,326	\$ 208,470
Salaries and benefits payable	--	--	11,008
Due to other funds	--	--	549
Due to other governments	--	--	375
Compensated absences	--	--	12,935
Total liabilities	<u>--</u>	<u>182,326</u>	<u>233,337</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	--	--	31,000
Other	--	--	405
Total deferred inflows of resources	<u>--</u>	<u>--</u>	<u>31,405</u>
Fund balances:			
Restricted for:			
Other purposes	--	259,053	525,565
Total fund balances	<u>--</u>	<u>259,053</u>	<u>525,565</u>
Total liabilities and fund balances	<u>\$ --</u>	<u>\$ 441,379</u>	<u>\$ 790,307</u>

See accompanying independent auditor's report.

Shelby County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2014

	Special Revenue			
	County Recorder's Records Management	Recorder's Electronic Transaction Fee	Conservation	Resource Enhancement and Protection
Revenues:				
Property and other County tax	\$ --	\$ --	\$ --	\$ --
Intergovernmental	--	--	29,104	13,705
Licenses and permits	--	--	--	--
Charges for service	2,377	--	33,254	--
Use of money and property	4	3	--	4
Miscellaneous	--	--	1,136	--
Total revenues	<u>2,381</u>	<u>3</u>	<u>63,494</u>	<u>13,709</u>
Expenditures:				
Operating:				
Public safety and legal services	--	--	--	--
Physical health and social services	--	--	--	--
Mental health	--	--	--	--
County environment and education	--	--	243,691	--
Governmental services to residents	7,077	--	--	--
Capital projects	--	--	--	--
Total expenditures	<u>7,077</u>	<u>--</u>	<u>243,691</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	(4,696)	3	(180,197)	13,709
Other financing sources (uses):				
Operating transfers in	--	--	175,000	--
Operating transfers out	--	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>175,000</u>	<u>--</u>
Change in fund balances	(4,696)	3	(5,197)	13,709
Fund balances beginning of year	<u>6,456</u>	<u>820</u>	<u>(8,550)</u>	<u>9,994</u>
Fund balances end of year	<u>\$ 1,760</u>	<u>\$ 823</u>	<u>\$(13,747)</u>	<u>\$ 23,703</u>

(continued next page)

Special Revenue					
<u>Drug Forfeiture</u>	<u>Commissary</u>	<u>Flood and Erosion</u>	<u>Tax Increment Financing</u>	<u>Case Management</u>	<u>Environmental Health</u>
\$ --	\$ --	\$ --	\$ 153,444	\$ --	\$ --
--	--	--	--	33,277	16,345
--	--	--	--	--	235,279
--	--	--	--	--	21,057
7	--	--	--	--	--
302	6,073	--	--	--	2,291
<u>309</u>	<u>6,073</u>	<u>--</u>	<u>153,444</u>	<u>33,277</u>	<u>274,972</u>
1,818	9,439	--	--	--	--
--	--	--	--	--	286,408
--	--	--	--	9,689	--
--	--	88	--	--	--
--	--	--	--	--	--
<u>1,818</u>	<u>9,439</u>	<u>88</u>	<u>--</u>	<u>9,689</u>	<u>286,408</u>
(1,509)	(3,366)	(88)	153,444	23,588	(11,436)
--	--	20,000	--	--	53,939
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(8,000)</u>
--	--	20,000	--	--	45,939
(1,509)	(3,366)	19,912	153,444	23,588	34,503
11,498	5,409	10,494	--	--	--
<u>\$ 9,989</u>	<u>\$ 2,043</u>	<u>\$ 30,406</u>	<u>\$ 153,444</u>	<u>\$ 23,588</u>	<u>\$ 34,503</u>

Shelby County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - Continued
Nonmajor Governmental Funds

Year ended June 30, 2014

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:			
Property and other County tax	\$ --	\$ --	\$ 153,444
Intergovernmental	--	--	92,431
Licenses and permits	--	--	235,279
Charges for service	--	--	56,688
Use of money and property	--	--	18
Miscellaneous	--	44,245	54,047
Total revenues	<u>--</u>	<u>44,245</u>	<u>591,907</u>
Expenditures:			
Operating:			
Public safety and legal services	--	--	11,257
Physical health and social services	--	--	286,408
Mental health	--	--	9,689
County environment and education	--	--	243,779
Governmental services to residents	--	--	7,077
Capital projects	--	637,016	637,016
Total expenditures	<u>--</u>	<u>637,016</u>	<u>1,195,226</u>
Excess (deficiency) of revenues over (under) expenditures	--	(592,771)	(603,319)
Other financing sources (uses):			
Operating transfers in	--	343,216	592,155
Operating transfers out	(320)	--	(8,320)
Total other financing sources (uses)	<u>(320)</u>	<u>343,216</u>	<u>583,835</u>
Change in fund balances	(320)	(249,555)	(19,484)
Fund balances beginning of year	<u>320</u>	<u>508,608</u>	<u>545,049</u>
Fund balances end of year	<u>\$ --</u>	<u>\$ 259,053</u>	<u>\$ 525,565</u>

See accompanying independent auditor's report.

Shelby County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

	<u>County Offices</u>		<u>Agricultural Extension Education</u>
	<u>County Recorder</u>	<u>County Sheriff</u>	
Assets			
Cash and pooled investments:			
County Treasurer	\$ --	\$ --	\$ 2,199
Other County officials	30,507	19,120	--
Receivables:			
Property tax:			
Delinquent	--	--	19
Succeeding year	--	--	142,000
Accounts	889	--	--
Special assessments	--	--	--
Due from other funds	--	--	--
Due from other governments	--	--	--
Total assets	<u>\$ 31,396</u>	<u>\$ 19,120</u>	<u>\$ 144,218</u>
Liabilities			
Accounts payable	\$ --	\$ --	\$ --
Salaries and benefits payable	--	--	--
Due to other funds	17,391	8,413	--
Due to other governments	14,005	--	144,218
Trusts payable	--	10,707	--
Compensated absences	--	--	--
Total liabilities	<u>\$ 31,396</u>	<u>\$ 19,120</u>	<u>\$ 144,218</u>

(continued next page)

Schedule 3

<u>County Assessor</u>	<u>Emergency Management Services</u>	<u>Sanitary Disposal District</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>
\$ 390,005	\$ 107,538	\$ 39,997	\$ 116,774	\$ 9,509	\$ 37,586
--	--	--	--	--	--
22	--	--	1,798	88	--
172,000	--	--	8,631,000	855,000	4,303,000
--	--	--	--	--	--
--	--	--	--	--	--
--	288,414	--	--	--	--
--	4,900	49,100	--	--	--
<u>\$ 562,027</u>	<u>\$ 400,852</u>	<u>\$ 89,097</u>	<u>\$8,749,572</u>	<u>\$ 864,597</u>	<u>\$ 4,340,586</u>
\$ 204	\$ 5,271	\$ 64,213	\$ --	\$ --	\$ --
1,392	13,557	3,857	--	--	--
--	335	19,104	--	--	--
559,724	292,657	--	8,749,572	864,597	4,340,586
--	--	--	--	--	--
707	89,032	1,923	--	--	--
<u>\$ 562,027</u>	<u>\$ 400,852</u>	<u>\$ 89,097</u>	<u>\$8,749,572</u>	<u>\$ 864,597</u>	<u>\$ 4,340,586</u>

Shelby County

Combining Schedule of Fiduciary Assets and Liabilities - Continued
Agency Funds

June 30, 2014

	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
Assets			
Cash and pooled investments:			
County Treasurer	\$ 4,351	\$ 344,159	\$ 32
Other County officials	--	--	--
Receivables:			
Property tax:			
Delinquent	10	--	--
Succeeding year	347,000	--	2,000
Accounts	--	--	--
Special assessments	--	--	--
Due from other funds	--	--	--
Due from other governments	--	--	--
Total assets	<u>\$ 351,361</u>	<u>\$ 344,159</u>	<u>\$ 2,032</u>
Liabilities			
Accounts payable	\$ --	\$ --	\$ --
Salaries and benefits payable	--	--	--
Due to other funds	--	--	--
Due to other governments	351,361	344,159	2,032
Trusts payable	--	--	--
Compensated absences	--	--	--
Total liabilities	<u>\$ 351,361</u>	<u>\$ 344,159</u>	<u>\$ 2,032</u>

(continued next page)

<u>Monies and Credits</u>	<u>City Special Assessments</u>	<u>County Hospital</u>	<u>M/H/S Empowerment</u>	<u>Flex Benefits</u>	<u>E911</u>
\$ --	\$ --	\$ 11,509	\$ 128,160	\$ --	\$ 305,909
--	--	--	--	--	--
--	--	99	--	--	--
--	--	884,000	--	--	--
--	--	--	--	--	--
--	7,866	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>\$ --</u>	<u>\$ 7,866</u>	<u>\$ 895,608</u>	<u>\$ 128,160</u>	<u>\$ --</u>	<u>\$ 305,909</u>
\$ --	\$ --	\$ --	\$ 74,845	\$ --	\$ 3,472
--	--	--	--	--	--
--	--	--	--	--	--
--	7,866	895,608	53,315	--	302,437
--	--	--	--	--	--
--	--	--	--	--	--
<u>\$ --</u>	<u>\$ 7,866</u>	<u>\$ 895,608</u>	<u>\$ 128,160</u>	<u>\$ --</u>	<u>\$ 305,909</u>

Shelby County

Combining Schedule of Fiduciary Assets and Liabilities - Continued
Agency Funds

June 30, 2014

	<u>Advance Tax</u>	<u>Tax Sale</u>
Assets		
Cash and pooled investments:		
County Treasurer	\$ 79,395	\$ --
Other County officials	--	--
Receivables:		
Property tax:		
Delinquent	--	--
Succeeding year	--	--
Accounts	--	--
Special assessments	--	--
Due from other funds	--	--
Due from other governments	--	--
	<u> </u>	<u> </u>
Total assets	<u>\$ 79,395</u>	<u>\$ --</u>
Liabilities		
Accounts payable	\$ --	\$ --
Salaries and benefits payable	--	--
Due to other funds	--	--
Due to other governments	79,395	--
Trusts payable	--	--
Compensated absences	--	--
	<u> </u>	<u> </u>
Total liabilities	<u>\$ 79,395</u>	<u>\$ --</u>

See accompanying independent auditor's report.

<u>Recorder's Electronic Transfer Fee</u>	<u>Hotel/Motel Tax</u>	<u>Total</u>
\$ 791	\$ 81,133	\$ 1,659,047
--	--	49,627
--	--	2,036
--	--	15,336,000
--	1,959	2,848
--	--	7,866
173	--	288,587
--	--	54,000
<u>\$ 964</u>	<u>\$ 83,092</u>	<u>\$ 17,400,011</u>
\$ --	\$ --	\$ 148,005
--	--	18,806
--	--	45,243
964	83,092	17,085,588
--	--	10,707
--	--	91,662
<u>\$ 964</u>	<u>\$ 83,092</u>	<u>\$ 17,400,011</u>

Shelby County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2014

Assets and Liabilities	County Offices		Agricultural Extension Education
	County Recorder	County Sheriff	
Balances beginning of year	\$ 30,229	\$ 24,046	\$ 164,543
Additions:			
Property and other County tax	--	--	136,426
E911 surcharge	--	--	--
State tax credits	--	--	8,754
Office fees and collections	219,381	59,401	--
Auto licenses, use tax and postage	--	--	--
Assessments	--	--	--
Trusts	--	156,606	--
Miscellaneous	--	--	--
Total additions	<u>219,381</u>	<u>216,007</u>	<u>145,180</u>
Deductions:			
Agency Remittances:			
To other funds	81,351	--	--
To other governments	136,863	49,927	165,505
Trusts paid out	--	171,006	--
Total deductions	<u>218,214</u>	<u>220,933</u>	<u>165,505</u>
Balances end of year	<u>\$ 31,396</u>	<u>\$ 19,120</u>	<u>\$ 144,218</u>

(continued next page)

Schedule 4

<u>County Assessor</u>	<u>Emergency Management Services</u>	<u>Sanitary Disposal District</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>
\$ 522,874	\$ 381,747	\$ 96,898	\$ 8,604,756	\$ 708,868	\$ 4,178,672
165,912	--	--	8,397,848	845,737	4,014,869
--	--	--	--	--	--
10,292	--	--	463,094	38,059	192,277
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
2	806,530	751,013	--	--	--
<u>176,206</u>	<u>806,530</u>	<u>751,013</u>	<u>8,860,942</u>	<u>883,796</u>	<u>4,207,146</u>
--	--	--	--	--	--
137,053	787,425	758,814	8,716,126	728,067	4,045,232
--	--	--	--	--	--
<u>137,053</u>	<u>787,425</u>	<u>758,814</u>	<u>8,716,126</u>	<u>728,067</u>	<u>4,045,232</u>
\$ 562,027	\$ 400,852	\$ 89,097	\$ 8,749,572	\$ 864,597	\$ 4,340,586

Shelby County

Combining Schedule of Changes in Fiduciary Assets and Liabilities - Continued
Agency Funds

Year ended June 30, 2014

	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
Assets and Liabilities			
Balances beginning of year	\$ <u>320,703</u>	\$ <u>307,211</u>	\$ <u>2,033</u>
Additions:			
Property and other County tax	337,989	--	2,290
E911 surcharge	--	--	--
State tax credits	16,239	--	128
Office fees and collections	--	--	--
Auto licenses, use tax and postage	--	4,176,663	--
Assessments	--	--	--
Trusts	--	--	--
Miscellaneous	--	--	--
Total additions	<u>354,228</u>	<u>4,176,663</u>	<u>2,418</u>
Deductions:			
Agency Remittances:			
To other funds	--	152,495	--
To other governments	323,570	3,987,220	2,419
Trusts paid out	--	--	--
Total deductions	<u>323,570</u>	<u>4,139,715</u>	<u>2,419</u>
Balances end of year	\$ <u>351,361</u>	\$ <u>344,159</u>	\$ <u>2,032</u>

(continued next page)

<u>Monies and Credits</u>	<u>City Special Assessments</u>	<u>County Hospital</u>	<u>M/H/S Empowerment</u>	<u>Flex Benefits</u>	<u>E911</u>
\$ --	\$ 14,592	\$ 856,719	\$ 80,730	\$ 22,188	\$ 325,347
--	--	856,911	--	--	--
--	--	--	--	--	258,521
--	--	45,824	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	2,305	--	--	--	--
--	--	--	--	--	--
793	--	--	362,795	--	--
<u>793</u>	<u>2,305</u>	<u>902,735</u>	<u>362,795</u>	<u>--</u>	<u>258,521</u>
--	--	--	--	--	--
793	9,031	863,846	315,365	--	277,959
--	--	--	--	22,188	--
<u>793</u>	<u>9,031</u>	<u>863,846</u>	<u>315,365</u>	<u>22,188</u>	<u>277,959</u>
\$ --	\$ 7,866	\$ 895,608	\$ 128,160	\$ --	\$ 305,909

Shelby County

Combining Schedule of Changes in Fiduciary Assets and Liabilities - Continued
Agency Funds

Year ended June 30, 2014

	<u>Advance Tax</u>	<u>Tax Sale</u>
Assets and Liabilities		
Balances beginning of year	\$ 43,475	\$ --
Additions:		
Property and other County tax	101,629	91,700
E911 surcharge	--	--
State tax credits	--	--
Office fees and collections	--	--
Auto licenses, use tax and postage	--	--
Assessments	--	--
Trusts	--	--
Miscellaneous	--	--
Total additions	<u>101,629</u>	<u>91,700</u>
Deductions:		
Agency Remittances:		
To other funds	--	--
To other governments	65,709	91,700
Trusts paid out	--	--
Total deductions	<u>65,709</u>	<u>91,700</u>
Balances end of year	<u>\$ 79,395</u>	<u>\$ --</u>

See accompanying independent auditor's report.

<u>Recorder's Electronic Transfer Fee</u>	<u>Hotel/Motel Tax</u>	<u>Total</u>
\$ 1,015	\$ --	\$ 16,686,646
--	121,394	15,072,705
--	--	258,521
--	--	774,667
9,316	--	288,098
--	--	4,176,663
--	--	2,305
--	--	156,606
--	16	1,921,149
<u>9,316</u>	<u>121,410</u>	<u>22,650,714</u>
--	13,993	247,839
9,367	--	21,471,991
--	24,325	217,519
<u>9,367</u>	<u>38,318</u>	<u>21,937,349</u>
\$ 964	\$ 83,092	\$ 17,400,011

Shelby County

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Fund Types

For the Last Ten Years

	Modified Accrual Basis			
	2014	2013	2012	2011
Revenues:				
Property and other				
County tax	\$ 6,226,025	\$ 6,018,898	\$ 5,497,892	\$ 5,215,187
Tax increment financing	153,444	163,392	170,546	207,367
Interest and penalty on				
property tax	33,500	32,714	33,573	36,535
Intergovernmental	4,364,656	4,252,778	5,254,445	5,706,279
Licenses and permits	239,354	242,254	242,540	228,293
Charges for service	358,102	342,226	380,921	369,928
Use of money and				
property	90,264	101,166	99,918	126,998
Miscellaneous	285,037	270,345	263,017	258,350
Total	<u>\$ 11,750,382</u>	<u>\$ 11,423,773</u>	<u>\$ 11,942,852</u>	<u>\$ 12,148,937</u>
Expenditures:				
Operating:				
Public safety and				
legal services	\$ 2,149,071	\$ 1,741,777	\$ 1,907,682	\$ 1,803,117
Physical health and				
social services	635,697	549,195	620,882	525,054
Mental health	1,467,374	1,413,578	2,669,056	2,581,235
County environment				
and education	414,598	446,524	547,057	449,106
Roads and transportation	4,835,398	4,530,985	4,593,683	4,368,341
Governmental services				
to residents	435,007	387,162	424,453	393,236
Administration	1,068,644	1,136,782	1,048,413	1,039,502
Non-program	--	--	--	--
Debt service	--	735,750	130,989	132,059
Capital projects	692,430	644,998	854,740	1,240,684
Total	<u>\$ 11,698,219</u>	<u>\$ 11,586,751</u>	<u>\$ 12,796,955</u>	<u>\$ 12,532,334</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
\$ 5,191,493	\$ 5,297,292	\$ 4,737,413	\$ 4,766,609	\$ 4,818,830	\$ 4,502,899
399,815	335,158	183,245	183,245	104,412	80,486
33,851	33,076	28,403	28,459	27,516	39,534
5,551,934	5,184,318	5,225,590	4,410,119	4,295,795	5,156,147
234,838	233,589	214,120	177,386	175,258	155,961
381,407	340,943	313,916	337,799	451,336	360,563
133,249	186,901	328,668	273,406	263,287	178,185
184,560	196,293	287,209	275,494	278,586	196,995
<u>\$ 12,111,147</u>	<u>\$ 11,807,570</u>	<u>\$ 11,318,564</u>	<u>\$ 10,452,517</u>	<u>\$ 10,415,020</u>	<u>\$ 10,670,770</u>
\$ 1,791,313	\$ 1,717,065	\$ 1,704,440	\$ 1,630,894	\$ 1,524,392	\$ 1,433,248
461,919	639,560	368,441	357,941	355,800	348,471
2,104,122	2,236,326	2,446,599	2,160,238	2,078,486	1,863,309
430,653	426,924	444,997	357,578	316,362	358,298
4,651,541	3,895,860	4,679,611	4,355,212	4,079,612	3,709,770
404,185	399,957	398,242	350,805	362,108	333,628
1,010,335	1,012,706	1,004,741	919,344	1,010,105	964,039
--	--	21,259	27,667	126,899	654,913
391,875	326,818	228,445	221,123	59,481	69,528
1,376,142	1,266,974	368,616	343,285	892,627	1,250,941
<u>\$ 12,622,085</u>	<u>\$ 11,922,190</u>	<u>\$ 11,665,391</u>	<u>\$ 10,724,087</u>	<u>\$ 10,805,872</u>	<u>\$ 10,986,145</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Shelby County

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Shelby County, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shelby County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shelby County's internal control. Accordingly, we do not express an opinion on the effectiveness of Shelby County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis.

To the Officials of Shelby County

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shelby County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to Findings

Shelby County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Shelby County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gmewoll, Bell, Kohn & Co. P.C.

Atlantic, Iowa
January 14, 2015

Shelby County
Schedule of Findings
Year ended June 30, 2014

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

Shelby County
Schedule of Findings - Continued
Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting

14-II-A Certified Budget: Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the roads and transportation functions. Disbursements in certain departments exceeded the amounts appropriated.

Recommendation: The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response: We will amend the budget when required in the future.

Conclusion: Response accepted.

14-II-B Questionable Expenditures: No expenditures were noted that meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

14-II-C Travel Expense: No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

14-II-D Business Transactions: No business transactions between the County and County officials were noted.

14-II-E Bond Coverage: Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

14-II-F Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

14-II-G Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

14-II-H Resource Enhancement and Protection Certification: The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

14-II-I County Extension Office: The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2014 for the County Extension Office did not exceed the amount budgeted.

Shelby County
Schedule of Findings - Continued
Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting - Continued

- 14-II-J Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

* * *